Response to the IVS 2017 Proposed Revisions Exposure Draft

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Q1: Do you believe that IVS should define the terms Price, Cost, and Value? If so, please discuss why you think the additional definitions are necessary.

- A1：Yes, it should. The different definitions for Price, Cost and Value refer to different economic connotations. The unified definitions shall benefit IVS members to unify their benchmarks in order to help the public get better knowledge of the explicit meaning with respect to some basic concepts for evaluation.

Q2: Do you believe IVS should define Calculation and Calculation Engagement? Please explain why.

- A2： No, it is not better to define the calculation. Reasons are as follows:

First, it's more appropriate if the definition is given by the organization that provides computing services.

In addition, calculation shall be updated continuously with the rapid development of Information Technology and AI.

Q3: Should a Calculation be IVS compliant, and if so, what differences in the scope of work and disclosures outlined in IVS should be required by the valuer?

- A3：No, it is not better to define the calculation. Reasons are as follows:

First, it's more appropriate if the definition is given by the organization that provides computing services.

In addition, calculation shall be updated continuously with the rapid development of Information Technology and AI.

Q4: Should IVS provide examples of "substantial" limitations? If so, please provide examples of such limitations.

- A4： Yes. There are many reasons for the limitation of valuation procedures. IVS should provide some cases of "substantial" limitation for reference.

e.g.

(1) The entrusting party and the property right holder do not cooperate with the appraisal institution in performing the appraisal procedures, and the information

provided is untrustworthy and missing and does not meet the requirements of the standards. Or it is unable to conduct necessary and effective interviews with the company's management.

(2) The verification procedure cannot be fulfilled since the particularity of the evaluation object, while the appraisers cannot adopt alternative procedures to remedy the flaws.

Q5: Do you agree with the suggested changes to IVS 105 section on Discount Rates? If not, please provide details of the additional information you think should be included or excluded from this section.

- A5： Yes, we agree. The China Valuation Standards has already required the same calculating benchmark for cash flow and discount rates. However, it is necessary to define the terms and scenarios for “expected value” and “most likely value”.

Q6: Do you agree that the methods are more relevant to business valuation and the placement in IVS 200 is appropriate? If no, please explain why.

- A6：Yes, we agree. The related approaches and methodologies in IVS have already been applied and practiced in China, such as “Guidance on Real Option Evaluation (Trial)”and“Guidelines for valuation of unlisted equity investments in private equity funds”.

Q7: Are there additional methods that should be included in the proposed revisions, for example the Hybrid Method? If yes, please discuss the additional methods to consider.

- A7: Yes，it is appropriate to adopt the Hybrid Methodology. When the valuation conclusions per different methodologies are similar, it is also more effective to adopt Hybrid Methodology, such as Weighted Average Methodology/ PWERM.

However, if the different valuation methodologies lead to different evaluation conclusions on a large scale, the appraisers suggest to analyze the applicability of different valuation methodologies and select the most reasonable methodology as the finalized valuation conclusion in order to eliminate the negative impact of adjusting the evaluation value by adopting different valuation methodologies.

Q8: Are there additional topics within Early Stage Company Valuation that you feel should be included in IVS or explored further by the Boards? Please provide an outline for any topics suggested.

- A8：Yes. The “Decision Tree Method” developed from OPM is applied in the valuation for earlier pharmaceutical projects.

Q9: Do you feel that the inclusion of the “As Is” and “As Proposed” value for the Development Property will reduce the risks in relation to the valuation of development property? If no, what additional information would you like to see included?

- A9：Yes, it does. The hypothetical development method and cost method are adopted for “the Development Property valuation” in China. However, the price (i.e. income) as well as the construction cost (including labor, materials, etc.)should be in accordance with the status quo when it comes to “As Is” value.

Q10: Should the valuer be compelled to state the method of valuation they have used in their calculation of market value and report the assumed (or calculated) Developers Profit when reporting market value? If no, please explain why not?

- A10：Yes. The assumed (or calculated) Developers Profit should be included as a part of the future value.